SOBHA

Date: February 12, 2025

BSE Limited Department of Corporate Services PJ Towers, Dalal Street Mumbai – 400 001 **Scrip Code: 532784 & 890205**	The National Stock Exchange of India Limited Exchange Plaza, Plot No C/1, G Block Bandra Kurla Complex Mumbai – 400 051 **Scrip Code: SOBHA & SOBHAPP**

Dear Sir(s)/Madam(s),

Sub: Transcript of Meeting with Analysts/ Institutional Investors.

In continuation to our letter dated January 31, 2025 and February 07, 2025 please find enclosed herewith the transcript of the conference call held on Friday, the 07th day of February, 2025 with the Analysts/ Institutional Investors to brief the Operational and Financial performance of the Company for the quarter ended December 31, 2024.

We request you to take the aforesaid information on record in terms of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the same is available on the website of the Company.

Yours sincerely,

FOR SOBHA LIMITED

BIJAN KUMAR DASH
Digitally signed by BIJAN KUMAR DASH
Date: 2025.02.12 10:35:47 +05'30'

Bijan Kumar Dash
Company Secretary & Compliance Officer
Membership No. ACS 17222

"Sobha Limited
Q3 FY '25 Earnings Conference Call"
February 07, 2025

SOBHA

ICICI Securities

CHORUS CALL

MANAGEMENT: **MR. JAGADISH NANGINENI – MANAGING DIRECTOR – SOBHA LIMITED**

MR. YOGESH BANSAL –CHIEF FINANCIAL OFFICER – SOBHA LIMITED

MODERATOR: **MR. ADHIDEV CHATTOPADHYAY – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Sobha Limited Q3 FY '25 Earnings Conference Call, hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Adhidev Chattopadhyay from ICICI Securities. Thank you, and over to you, sir.

Adhidev Chattopadhyay: Yes. Good evening, everyone. On behalf of ICICI Securities, I'd like to welcome everyone to the Sobha Limited Q3 FY '25 results call today. As always, we have from the management, Mr. Jagadish Nangineni, the Managing Director; and Mr. Yogesh Bansal, the Chief Financial Officer.

I would now like to hand over the call to the management for their opening remarks, after which we'll move on to the Q&A. Thank you, and over to you, sir.

Jagadish Nangineni: Thank you, Adhidev. Good evening, everyone, and thank you for participating in this Q3 FY '25 earnings call. Our team at Sobha and I are delighted to be interacting with you today. And as usual, you can access the results and this quarter's investor presentation on our website. In today's call, I'll quickly take you through the operational highlights for the year and the quarter. Yogesh Bansal, our CFO, will take you through the financial highlights post that.

In Q3 FY '25, our total real estate sales value stood at ₹1,388 crores. 72.1% of the total value is from Bangalore, 10.3% from Gurgaon, 9.3% from Kerala and other regions contributing to the remaining 8.2%. Sobha share of total sales value stood at about 90%, highest ever for us, thanks to the contributions from our own projects based in Bangalore—Sobha Neopolis and Sobha Ayana. In 9 months of FY '25, our total real estate sales value stood at ₹4,440 crores. About 50% of that has come from Bangalore, 25% from Gurgaon, about 16% from Kerala and other regions contributing to remaining.

In the last 3 months of this FY, we are hoping to reach close to our last year's sale value with the help of new launches and regular sales. In Q3 '25, we launched one new project, Sobha Ayana in Bangalore with a total salable area of 1.13 million square feet. This launch takes the overall launch area for this FY to 4.66 million square feet over six projects in four cities. We are happy to inform you that we have received RERA for Sobha Townpark, Madison Heights and Hampton, which is about 3.67 million square feet with apartments of about 2,104.

We will be launching this—we will be launching the Townpark during the month and expect one more launch in Bangalore in this quarter that can take the yearly launches to about 9 million square feet. We have received this RERA post the end of this quarter. Our remaining inventory as of end of the quarter stood at 8.92 million square feet, totaling a sales value of about ₹14,000 crores. We have a very strong residential pipeline of 21 million square feet across 19 projects in 10 cities and a commercial pipeline of about 1.19 million square feet or four projects across our operational cities. And this entire pipeline, we envisage to launch in the next four to six quarters.

In addition to this, we are working on our subsequent project land for about 19 million square feet and also actively working on land that can be monetized and generate cash flows from the same. In the next financial year, we aim to add Greater Noida, Hosur and Mumbai to our operating locations, increasing our real estate presence to 15 cities. As you are aware, we have procured a small land of 3.44 acres in Greater Noida for which the approvals are underway.

For Hosur, after a long wait, we have been able to resolve the on-ground issues, and we are making progress on project design and approvals for the first phase of plotted development in about 38 acres. In Mumbai, it is still very early stages of approval process, which we will get better visibility in the next 3 to 4 months.

On the visibility to our revenue and profitability, the real estate revenue yet to be recognized from already sold units stands at about ₹15,000 crores. This revenue has profit before tax margin of about 28% at the project level. Our contracts and manufacturing segment had a revenue of about ₹160 crores in this quarter, and we might stabilize at a cumulative revenue of about ₹450 crores to ₹500 crores on a yearly basis with gross margins of over net 15%.

As I had mentioned in my previous calls, we are reducing our emphasis on the civil contracts and some of the other contracts related to glazing and in fact, descoped some of the projects this quarter. Hence, we had to account for additional expenses towards the same and that reflects in our lower margins this quarter.

With that, I hand over the call to Mr. Yogesh Bansal, our Chief Financial Officer, to provide colour on the financial performance, post which we shall open the floor to take questions.

Yogesh Bansal: Good evening, everyone. I'm pleased to share our financial performance for the 9 months and third quarter of financial year 2024-'25. Our quarterly results underscore the commitment to consistently improve operational performance and financial management for a sustained and disciplined growth.

Starting with cash flow. For 9 months FY '25, total operation cash inflow was ₹43.99 billion, reflecting 2% increase from the same period last year. The real estate segment led this growth with collection increasing by 6.3% to ₹39.35 billion. Contracts and manufacturing business contributed ₹4.64 billion.

We have incurred ₹1,241 million under capex during 9 months, which is 46.54% more compared to same period last year to support increased area under construction on back of the new launches. In 9 months, we spent ₹6.33 billion in net land outflow, which is more than 2x of same period last year, in line with our commitment of deploying growth capital. Our net cash flow generated ₹8.06 billion, including rights issue application proceeds. We have called for first tranche of call money towards end of December 2024 and received the proceeds in January.

For the unsubscribed portion, which is very minor, the window will be reopened from 18th February to 1st March '25. As on 31st December, we have unsold inventory of 8.92 million square feet and under forthcoming projects at 21.22 million square feet, the projected margin cash flow from ongoing and forthcoming residential projects stands at ₹171.13 billion. Q3 FY '25 net debt was INR4.56 billion with net debt to equity ratio of 0.13.

Average borrowing cost has remained steady in recent quarters. It stands at 9.44%. On the P&L side, for 9 months, total revenue stood at ₹28.92 billion with real estate contributing ₹23.19 billion or 80.2% of our total revenue and the contractual and manufacturing segment generating ₹4.79 billion.

In Q3, real estate segment contributed for 84.6% of total revenue. EBITDA 9 months was ₹2.94 billion with a margin of 10.2%. PAT stands at ₹538 million for 9 months, an improvement of 28% over last period and for Q3 stands at ₹217 million. In Q3, our total revenue rose by 76% year-on-year to ₹12.56 billion. The revenue yet to be recognized from sales completed as of December 31st stands at ₹153.61 billion.

With this, we can open the call for questions. Once again, thank you all for your participation. Now we can open the call for question and answer.

Moderator: We'll take the first question from the line of Puneet from HSBC.

Puneet: My first question is during the year, you guided for presales target of ₹8,500 crores. Given the run rate and the fact that you'er still to launch Townpark, is there a reasonable expectation that you would still be able to meet this guidance by March?

Jagadish Nangineni: Puneet, it's true that the first 9 months, we did about ₹4,440 crores, and our guidance is about, was much higher. But because of the delay even in the Townpark when we have guided earlier on, and also some of the, and initial last 3 quarters, we have been saying that there are certain, there is some slower pace of sales in some of our projects where the ticket size is large.

And hence, because of that, I think we'll be, we are currently aiming at reaching at least what we have done last financial year in terms of presales. And if we can do that, that would be a good outcome for us. And in case we are able to launch a couple of other projects in Bangalore, which we are trying during this quarter itself. If that also comes through, then probably we can do better than that.

Puneet: Got it. My second question is on the margins front, right? I mean the reported margins in this quarter as well is even lower than the previous quarter despite better recognition of revenue. Why is that happening? And when do we see a turnaround?

Jagadish Nangineni: Yes. That's why I had mentioned during my initial remarks itself Puneet, that we have actively descoped a couple of projects of our contractual projects. One was in civil contract and one was in glazing contract. And both these contracts, we had to recognize some of the losses towards the end of, as the end of the project has been completed last quarter, in the last period. And that as a onetime items have reduced the margins.

Otherwise, I think we are largely towards the end of these contractual losses that we have incurred. And going forward, we don't foresee any such anymore because we, the remaining order book in these contracts are far lower now. And hence, the entire now margin would shift towards real estate as we recognize the revenue in that, which is quite healthy. And on top of it, even the manufacturing and contractual projects remaining ones seem to be running well in terms of financially as well.

So from Q4, we should start looking at slightly better margin. And also from next financial year, it should be far better. That said, like I said, I mentioned in the initial remarks, the, overall, if you look at the larger picture from the remaining revenue to be recognized, it's close to about ₹15,000 crores now, which roughly we should be able to recognize in the next 3, 3.5 to 4 years. That would be roughly about ₹1,000 crores a quarter.

And if we are able to do that and, which I was mentioning, it's about 28% of PBT at the project level. So over the period, as we keep recognizing those revenues, the margin, on the margin front, the significant improvement can be seen.

Puneet: Okay. So just 28% of PBT you said on those revenues?

Jagadish Nangineni: At the project level.

Puneet: At project level. And how, is it possible to quantify how big were the losses on the contractual business because on a Q3 over Q2 basis, I see ₹290 crores revenue growth, but no change in EBITDA. So is it as big as ₹280 crores, ₹290 crores of losses on contractual business?

Jagadish Nangineni: Well, it's not just the contractual business, but also a slight reduction in the, some of the JV projects in real estate. And we have accounted for a higher cost that we have, we are incurring even in the real estate projects. Both, unfortunately, in this particular quarter, the combination of both the real estate cost increases and lower margin projects that we have recognized in the joint development projects and combined with even the contractual losses, all of them put together has led to this. And this, I think, is a onetime scenario. Hopefully, it should improve from here.

Puneet: Okay. That's helpful. And lastly, on the interest costs, despite a ₹1,000 crores addition to the cash balances, the interest cost on cash flow side hasn't gone down. How should one think about that?

Jagadish Nangineni: Well, on that front, it's very clear. We had a clear object of usage of the rights issue. We had, in fact, reduced the debt towards that. And a certain portion of that has gone in reduction of the debt. But our gross debt continues to remain roughly around ₹1,500 crores. So that has sort of continued to have the impact on an interest cost basis.

Otherwise, the remaining, if you look at from a net point of view, it is significantly lower in terms of debt. So, the remaining ones are, part of it are in rera accounts and in fixed deposits, though we'll be earning small interest, which we will be using to deploy further business development.

Moderator: We take the next question from the line of Himanshu Upadhyay from BugleRock PMS.

Himanshu Upadhyay: My first question was, if you look at the realization per square feet for stock to sell has increased from ₹7,500, what used to be there two years back, to nearly ₹14,000 per square feet, the realization. In the velocity remains slow for such projects, how much does it impact the project level IRR? And can margins be under pressure because of general inflation, which is there in the country and in most expenses? And secondly, what can we do to increase our velocity for such projects?

Jagadish Nangineni: Good question, Himanshu. The price on an average, if you look at, yes, it's, right from about 5 to 6 years ago, where we were at about ₹7,500, now we are almost reaching ₹14,000. It's a combination of two factors. One, in general, real estate pricing has gone up significantly in our operating locations. And second, even in the mix of the inventory that we are selling today and what the inventory that we have currently, both those the inventory mix has changed from not just from Bangalore, but also from some of our other locations like NCR, Gurgaon and even in some of the prime projects that we have in Kerala and in Hyderabad.

So, it's a combination of both inventory mix and the price increase that has occurred in general in the market. So I think from a pricing point of view, it seems we are at market or slightly premium to the market, which has been the case historically, given our brand and the kind of products that we deliver. However, to answer your other question related to the pace of sale; the pace of sale, largely what we have seen is continues to be very strong in places like Bangalore and even in NCR.

Only cause of a little bit concern for us in some projects has been on the, where the ticket size has been significantly higher. That with the new launches and the changes in the inventory, we should be able to address that concern, and we should start seeing much better velocity in terms of sales.

Himanshu Upadhyay: And secondly, I think historically, we have stated that the premium projects generally tend to have a higher sales near the completion. But if the project or construction phase is faster, let's say, in 2.5 to 3 years, do you think the sales velocity will also tend to increase for premium projects because if people are able to see the fully constructed project much earlier sales also?

Jagadish Nangineni: Well, if you see the current our inventory of completed projects is very low. And even as we, you would have noticed that even when we launched the projects, we released the inventory on a sales-wise basis, basis that our construction will also progress. So, it's both the pace of sale and pace of construction go hand in hand. Hence, I don't see a big risk towards that. If you are alluding to the fact that because of this, there would be a buildup in terms of working capital, that's not been the case in at least in the last 2 to 3 years, and we don't foresee that in majority of the projects that we have.

Himanshu Upadhyay: So my just question was, if premium projects, the construction happens faster, will it also help in faster sales side for those projects? Does it also happen in that way?

Jagadish Nangineni: Our view is this, Himanshu; once the project starts, irrespective of the pace of sales, the sooner we deliver, the better it is. If the pace of sale is faster, it is even better for us. We are more incentivized to complete the project faster. And even if there is. the pace of sale is a little slower, faster we construct, we contain our any escalation in terms of cost. And like rightly pointed out, there is generally a higher offtake from projects where there is visibility of completion or in fact, where there is a completed unit. So both ways, it's best for us once we start the project to complete it within time or ahead of time.

Moderator: We take the next question from the line of Kunal Lakhan from CLSA.

Kunal Lakhan: I am just trying to reconcile the margin guidance that you have given on the ₹15,000 crores of unrecognized revenue. When I look at your margins in your P&L, like if you look at your 9 months PBT margin is about less than 3%. I understand there is corporate overheads and also if I were to ask you that this 28% PBT margin at project level, if you were to apportion, say, corporate overheads over there, what will be the realistic PBT margin considering eventually, you have to look at the business at the consolidated level, right, what kind of margins and cash flows the company makes on a consolidated basis, not just project level. So I'm just trying to understand if you apportion the corporate cost to your project level margins, what will be the realistic PBT margin there?

Jagadish Nangineni: Well, our current estimate of the overheads because of this accounting norm where we recognize revenue on completion, you will appreciate that the all the overheads we take on in the cost irrespective of my revenue recognition. But if you spread over the next this period of revenue recognition over the next, say, period about 3 to 4 years, then I would say about 10% of overall revenue to be recognized would be in the ballpark in terms of the other overheads. I'll ask Yogesh to throw some more light on it.

Yogesh Bansal: So Kunal, if corporate overhead plus interest plus depreciation, will be removed, so with the PBT level, we should be within range of 15% to 18% steady state going forward.

Kunal Lakhan: Okay. I mean depreciation isn't very significant anyway. So basically, your interest and corporate overheads, if you remove, it will be roughly about 15% to 18% you are saying?

Yogesh Bansal: Yes.

Moderator: The next question is from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal: My first question is, so you said you're launching 9 million square feet this year. So I want to understand out of the total sales of the 9 months, how much was out of this 9 million was opened for sale? And how much is the contribution of new launches to the overall sales for 9 months?

Jagadish Nangineni: We have opened, we have launched 4.6 million square feet till date. And we have, like I mentioned in the opening remarks, we have obtained RERA for the remaining buffer for Sobha Townpark, Madison and Hampton. So that's about 3.67 million. So, plus if we are able to manage 1 or 2 more project launches during this quarter, by end of this quarter, which we are trying hard, but there might be slippage of 1, 2 weeks here and there. So hopefully, we should be able to meet the target of 9 million.

Parikshit Kandpal: Jagadish, my question was out of 4.6 million, that is the total size of the project, how much was opened for sale? And what is the area which is still to be opened?

Jagadish Nangineni: So, from what we have launched this financial year, we would, I mean, I clearly don't have the exact number, but roughly, we have launched about 50% of the projects in larger ones. And in smaller ones, the entire inventory has been opened. So, but we can get back to you with the exact numbers.

Parikshit Kandpal: And on the Townpark, I think the total size of the Townpark is 3.7 million sellable. So how much are you planning to open there?

Jagadish Nangineni: In the initial phase itself, we would launch about 1/3 of it. And so that would be the first, in this month, we will be doing about 4 to 5 towers based on the pace of sales that we can achieve.

Parikshit Kandpal: Jagadish, the issue is that you are launching, the number which you are giving is very high, but actual launch is only 1/3 or maybe 30%, 40% of that. And so when we look at presales, so we are building it with thinking that you're launching the entire project and market basis that assumptions, making assumptions on presales, but the actual launched or opened area is much lower, and that is getting reflected in much lower sales in presales.

Jagadish Nangineni: Opening of new phases is not an issue for us. It is the reason why we are opening in phases is only based on how we're pacing out our sales. Because we have obtained RERA for all the entire project, so we can choose to launch the phases much faster. Like, for example, the Ayana that we have just launched in November, we were planning to launch only 1 or 2 towers initially. But based on pace of sale, we could launch almost close to 70% of the project by now. So hence, it's entirely dependent on how the project progresses in terms of sales. So it's absolutely nothing to do with our release of units or towers versus the actual launches.

Parikshit Kandpal: Okay. And just the last question. So now we had this year guided for ₹8,500 crores. If we would have achieved that, then next year, if we had guided 15%, 20% growth on that, we should have crossed ₹10,000 crores of sales. So when I look at FY '26, so how will you base the growth there? I mean, will ₹8,500 crores will be the relevant number so we look to cross ₹10,000 crores? And to do that, what kind of launch pipeline on GDV leases would be there on a quarterly basis? Are we targeting ₹3,000 crores to ₹4,000 crores of launches every quarter from next year so that we can deliver on that number?

Jagadish Nangineni: So we will definitely come to here. And we have good visibility of all the launches in, for the next financial year, Parikshit. So hence, I believe that the launches will accelerate in the next year also. And we have enough inventory and experience of some of the projects, which are launched this financial year also. So with buildup of the inventory and with new launches, we should be able to do far better number.

I'll not be able to comment on what that number is right now. But during the course of as we plan out in the next 2 to 3 months, we should be able to come back to you with a better visibility of that.

Moderator: We take the next question from the line of Biplab Debbarma from Antique Stock Broking.

Biplab Debbarma: So my first question is on the MMR project that you plan to launch in FY '26. Can you give us some insight on the project like in terms of GDP, what is the size of the project? What kind of project it is JDA, SRA or outlet purchase? And where is the location?

Jagadish Nangineni: Biplab, the project is still in very early stages. We have tied up the land and the project, but we are in very early stages towards the approval process. Ideally, given the uncertainty of us navigating in a new location like Mumbai, we would, we'll be able to give out the numbers and have greater visibility to you in subsequent quarters.

Biplab Debbarma: Okay. My second question is what would we attribute the slippage in guidance to? Should we say that because of slow sales velocity in the Gurgaon project or there is a moderation in demand or it's because of approval challenges? I mean, if we have to pinpoint the reasons for the slippages?

Jagadish Nangineni: You have already listed out all the issues. Having said that, we, I think there is a silver lining to this aspect, which is now standing where we are, we have a much better, we have the best inventory that, visibility that we have in years, which we have already launched and also for the future projects. So hence, our ability to grow from here seems to be far more visible, and we should be able to achieve what we are showcasing.

Moderator: The next question is from the line of Parvez Qazi from Nuvama Group.

Parvez Qazi: So, of the ₹633-odd crores of land expenses that we have undertaken this year, would bulk of it relate to the Greater Noida and the Mumbai project? Or I mean there are other cities also where we have acquired land?

Jagadish Nangineni: It's a combination. Greater Noida, yes, it is, a bulk of that payment has gone to Greater Noida because it's an outright purchase from the authority. And in addition to that, we have, in fact, spent across various projects. We have recently signed up a project in Chennai for about 1.8 million square feet. And we have entered into new agreements with a couple of owners in Bangalore, part of it is in Mumbai, part of it is in Pune. So, it's spread across. It's not focused or let's say, a bulk of it has not gone to one particular city.

But it's overall spread all over multiple cities. Overall, if you look at from the ₹633 crores net payment that we have done, roughly if you look at from a new land that we have tied up, that would be roughly about 5 million to 5.5 million square feet where we can develop new and probably at a value of, even if you take about ₹12,000, it's about ₹6,000 crores what we can achieve in sales from that.

Parvez Qazi: Sir, if I got the number correctly, you said the GDV of the land that we have tied up is about ₹12,000-odd crores. So if that number is correct, what is the pending land payment for this ₹12,000 crores GDV project?

Jagadish Nangineni: Yes. I mean there would be additional payments, which is, I mean part of them are like we have seen it's own land and part of them are JV. We'll be able to give you the remaining payment details separately, Parvez.

Parvez Qazi: Sure. The second question is with regards to geographical diversification. We are already present in 10-plus cities. So on the ground, are you seeing differences in terms of sales velocity across the cities where you are present? And if yes, and which cities are relatively doing better than, and which are the laggards?

Jagadish Nangineni: Well, the demand scenario continues to remain very strong in some of the cities that we operate. Of course, there is an increase in pricing and hence, the ticket sizes have gone up for all of us. And due to that, wherever there is still a ticket size of about ₹2-₹3 crores, demand still continues to be good. And wherever there is a much higher ticket, of course, the ticket size sweet spot differs from city to city. So hence, if you can pick the sweet spot, it's very good.

Like, for example, in Bangalore, the sweet spot is between ₹2-₹3 crores, and if it's in Gurgaon, it is about ₹5-₹6 crores. If we are able to be within that range, probably our sale velocity can be really good.

Moderator: The next question is from the line of Pritesh Sheth from Axis Capital.

Pritesh Sheth: First question is on Gurgaon, where we have seen the impact since last couple of quarters. Any course correction we have done there to improve the sales velocity and how is the traction now? And we have three more projects planned in Gurgaon over the next 4 to 6 weeks, I mean, residential projects. What kind of ticket sizes that we are targeting in those 3 projects, considering that we have already, I mean, you have already mentioned that anything between ₹5-₹6 crores is doing good. So will that be our product offering in upcoming 3 projects? That's my first question.

Jagadish Nangineni: Yes, absolutely, Pritesh. That's the aim for us in terms of new projects. But even for the existing inventory, the existing projects, both Sobha Altus and Sobha Aranya, both are fantastic projects we are doing. They have, in fact, Aranya is a very unique project, and it would have an inherent demand. And in between, there was, after the initial rush, there has been some stabilization with the progress on the site and the progress on what we are doing continuously, there is an increased interest in the project, and I'm very confident that the project will do well.

Similar would be the case of Altus, which is a slightly smaller project, but we have changed the specs and rationalized the pricing as well, corresponding to that. And it has, based on that, there has been an increased interest from the customers. So both are on good track, and I think we should start seeing good results from next few months.

Pritesh Sheth: Got it. Got it. And just a bit of clarification on what you mentioned in the last question. So with this ₹630-odd crores of spending in land, you have acquired 5 million, 5.5 million square feet of new projects and GDV is ₹12,000 or ₹6,000. I couldn't hear that correctly.

Jagadish Nangineni: At an average pricing of ₹12,000 is what I have taken, that will be about ₹6,000 crores.

Pritesh Sheth: ₹6,000 crores of GDV? Okay. Got it.

Jagadish Nangineni: On a conservative basis, yes.

Moderator: The next question is from the line of Vipul Kumar Anupchand Shah from Sumangal Investment.

Vipul Shah: Sir, my question is, can you break down your inventory into land and finished flats, around ₹11,000 crores of inventory. So can you break it down between the land and finished product flats?

Jagadish Nangineni: Sorry, Vipul, just to clarify, when you say land, it would mean like the plotted development?

Vipul Shah: Sorry?

Jagadish Nangineni: Just to clarify, what's the question? Is it land would mean what plotted development? Or is it completed inventory?

Vipul Shah: So I would like to know what is the completed inventory portion in this and what is the land under development portion?

Jagadish Nangineni: Okay. Completed inventory is very minimal for us. Out of this 8.92 million, only we have 210,000 square feet as completed inventory. That's the, value of that will be about close to ₹180 crores or so.

Vipul Shah: So rest all is at various stages of development?

Jagadish Nangineni: Yes.

Moderator: The next question is from the line of Puneet from HSBC.

Puneet: If you can also elaborate on where are you going to spend the rights issue money? Is there any plan there? And how much should we expect you to spend over the next 1 year?

Jagadish Nangineni: Okay. I will let Yogesh take that question, Puneet.

Yogesh Bansal: Puneet, our rights issue, we have given for debt, okay? So we are using the money part of it for our debt and general corporate. Our aim is to use for our growth capital so that we can buy, we can invest in business development and we can grow. So basically, a combination of both. One is a reduction of debt and other part of it go to our growth factor, towards growth factor.

Jagadish Nangineni: Just to rephrase also…

Puneet: How much reduction of debt and how much for land?

Yogesh Bansal: In the rights issue...

Jagadish Nangineni: From the proceeds of the rights issue, we are planning to reduce debt of close to ₹900 crores.

Puneet: And the balance ₹1,100 crores for the land acquisition and general corporate purposes?

Jagadish Nangineni: The purposes which are clearly demarcated. Our objective is like this, which is we are a cash-generating company. In the last several quarters, I'm sure you have noticed that. So, while we are clearly utilizing some of the proceeds for, in accordance with the objects, we are also generating new cash flow. So, it's sort of replacing that and we'll be utilizing that for the growth capital. So, although we are reducing the debt right now, but we would, as we keep generating cash flow from the new projects, we would definitely use the same for growth.

Puneet: So what is the internal target for debt to equity now?

Jagadish Nangineni: Well, it's not about debt to equity, Puneet. What we currently in the near, or, let's say, medium term, what we are comfortable is between ₹1,200 crores to ₹1,500 crores.

Puneet: Okay. Absolute amount of debt?

Jagadish Nangineni: On an absolute amount yes, because I'm sure you have seen it that the marginal cash flow from our existing projects is still very strong. ₹10,000 crores is coming from already launched projects. And from the new projects, we have about ₹7,000 crores. So while, since that is very strong, then we can, also the visibility of our subsequent land is also good.

So it puts us in a unique position where we can opportunistically grow in certain cities. And hence, based on that, we can deploy our capital. It's not necessarily that I will need to deploy today the entire amount. So we will take a calibrated approach. But we have the maneuverability to utilize whenever it is feasible now versus about a year ago when we didn't have the rights capital.

Moderator: The next question is from the line of Jeet from Pinpoint.

Jeet: A couple of questions. So firstly, on Altus and Aranya, you mentioned you've reoriented the Altus project a little bit and Aranya has picked up in terms of interest. So incrementally from here, what kind of quarterly sales run rate can you expect from these two projects together? And secondly, on Townpark, you mentioned you will be opening about 1/3 of the area. But if you do sense more demand than that, will you be opening up more area in this quarter itself? Or how will it be phased out?

Jagadish Nangineni: Sure, Jeet. It will be difficult for me to give the exact estimate of how it's going to perform. We have taken these actions, and we are, our teams are really working hard to make it a success. We will have to see over the next couple of quarters how we are picking up. And then we will be able to have a much better sense of how we are getting some sort of run rate here. So, it's very difficult for me to give an answer on the estimate right now.

On the other part, which is about, on the Townpark launch, like I said, we release the inventory based on the pace of sale. And of course, if the pace of sale is good, particularly the ones which we launched has all the sizes of the inventory. And if there is any specific inventory which is moving faster, we generally do open the towers, which are, which have those inventories. So we will be, of course, opening up new inventories as we progress. And if it happens this quarter, surely, we will do that.

Moderator: The next question is from the line of Manoj from Geometric.

Manoj: Sir, as we go forward to ₹8,000 crores, ₹10,000 crores sale, general cost, corporate cost, how much we can think of increasing per year as a percentage?

Jagadish Nangineni: Manoj, I think from what we are already running at a run rate of about ₹6,000-odd crores, right? Apart from being inflationary, we don't think that we are, we would be incurring significant increase in the fixed cost. It would be largely the inflationary, because majority are currently, we are already structured towards aiming at a sale value of about close to ₹8,000 crores to ₹10,000 crores. So I we don't envisage significant increases in the fixed cost.

Manoj: Okay. That would be a great lever for the margin...

Jagadish Nangineni: Apart from, of course, like I said, inflationary regular salary increases and inflationary increases in other costs.

Manoj: Okay. So this would be a very great lever for the margin increase as well as the premium projects, which would be also coming for revenue recognization. Is my understanding right?

Jagadish Nangineni: Absolutely. That's correct.

Moderator: The next question is from the line of Rahul Jain from Elara Capital.

Rahul Jain: So I just wanted to understand, given that Sobha as a brand has a significant presence internationally, what percentage of the presales would be coming from NRI demand? Like it would be specifically higher for certain geographies? Or how should we look at it?

Jagadish Nangineni: Yes. Good question, Rahul. There is, like you mentioned, there is a significant visibility of our brand internationally. And that has indeed increased our customer interest in our projects. So, the typical, not only it's, that results in NRI demand, but also results in demand from frequent travelers or travelers who are exposed to international locations. That puts us our brand a little ahead, and that definitely creates higher demand for us, both from local and from NRI.

So, and typically, our NRI demand has been in the range of about 8% to 10%. And largely, that remains unchanged in the last few quarters. So with the greater visibility and if there is the depreciation of the rupee and several other uncertain events, if there is a push from increase in interest from NRI, we would greatly benefit from it.

Rahul Jain: Got it, sir. And sir, on the Mumbai land piece, can you just share the locations where exactly it is in Mumbai?

Jagadish Nangineni: Rahul, we will be able to share it separately with our Investor Relations. That would be ideal for us.

Moderator: The next question is from the line of Himanshu Upadhyay from BugleRock PMS.

Himanshu Upadhyay: My question was, in the upcoming projects, okay, our share is around 79%, okay? And currently, we are having around 90%. Is there an opportunity to increase our share in the forthcoming projects and, because just these projects will be much nearer in launches. So any thoughts or opportunity for you to allocate capital and increase share in these projects?

Jagadish Nangineni: Himanshu, the share of the projects is a function of our own land projects and the joint development projects. If you look at our current inventory of about 8.9 million square feet, there itself, our share is about 80%. And forthcoming projects is also roughly about that. So the 90% that we achieved is specific for this quarter because some of our own projects have done far better. And hence, if you look at an average over the next few years, then we would revert to the average of about 80% because that's the nature of the inventory.

Moderator: As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Jagadish Nangineni: Thank you, everyone, for participating in the call. I hope that we have answered your queries to the best possible extent. In case you have more clarifications or questions, please reach out to our Investor Relations. We'll be happy to provide more information. Thank you, everyone, and have a good evening.

Moderator: Thank you, members of the management. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.